

## Strategic Plan Initiative Tracker

### Third Quarter 2014

The Strategic Plan includes 36 initiatives approved by the Mayor and City Council in 2012. The total project cost for all initiatives over the plan's six-year period is estimated to be \$493.3 million and is forecast to deliver \$108.2 million in financial benefits.

For 2014 these amounts are comprised of project costs of \$46.3 million and are expected to deliver \$14.6 million in financial benefits. Progress on these initiatives is reported under Seattle City Light's four themes:

- 1) Improve Customer Experience and Rate Predictability;
- 2) Increase Workforce Performance and Safety Practices;
- 3) Enhance Organizational Performance; and
- 4) Continued Leadership in Conservation and Environmental Stewardship.

The detailed information in this report is broken into three sections which discuss the following elements of this process:

**Section I** - Assessment of Initiative Performance

**Section II** - Summary of the Strategic Plan Results

**Section III** - Summary Performance Assessment for Each Initiative.

## Section I – Assessment of Initiative Performance

Each initiative has a template that identifies start and finish dates, Operations & Maintenance (“O&M”) and Capital Improvement Project (“CIP”) budgets and actual expenditures for the period, as well as other information needed to track progress.

The Strategic Initiative achievements have been evaluated in the following way:
















<b>Green</b>	<b>Year-to-date</b>	Metrics are met YTD.
	<b>Full-Year</b>	Metrics are expected to be achieved by year-end.
	<b>Project Life-Cycle</b>	Metrics are expected to be achieved by end of project life-cycle
<b>Yellow</b>	<b>Year-to-date</b>	Metrics are not met YTD, but are expected to be met by year-end.
	<b>Full-Year</b>	Uncertainty exists around the achievement of metrics by year-end.
	<b>Project Life-Cycle</b>	Uncertainty exists around the achievement of metrics
<b>Red</b>	<b>Year-to-date</b>	Metrics are not met YTD.
	<b>Full-Year</b>	Metrics are not expected to be achieved by year-end.
	<b>Project Life-Cycle</b>	Metrics are not expected to be completed

Where appropriate, progress metrics will include scope and schedule, milestones, and deliverables under the “Milestones” column. The financial impact (costs and/or savings) generated by each initiative compared to budget will be included under the “Financial” column.

## Section II – Summary of Strategic Plan Results

Table 1 provides an assessment of the overall expected outcome of the Strategic Plan Initiatives assigned to the four themes.

**Table 1 – Summary Initiative Progress**

Summary Initiative Progress	YTD	Full - Year	Project Life - Cycle Forecast
Improve Customer Experience & Rate Predictability			
Increase Workforce Performance & Safety Practices			
Enhance Organizational Performance			
Continued Leadership in Conservation & Environmental Stewardship			
<b>Overall</b>			

- Ratings are determined based on a combination of aggregate initiative progress relative to financial and project milestones, weighted to the initiatives with the largest financial impact.

City Light's Strategic Plan includes 36 initiatives, some of which have multiple components or projects. Thirty-two began in 2013 and three were completed by year-end.

Thirty-three initiatives are active in 2014. As of September 30, 2014, 24 are on track and nine are experiencing delays. Further detail of these variances can be found in Section III of this document. Savings resulting from strategic investments are reported below.

### **Financial Analysis**

**Capital Delivery of Program Improvements** – City Light budgeted \$77.2 million on CIP projects to implement continuing Strategic Plan initiatives during 2014. The current forecast is to spend 94% of the original budget by year-end.

**Operations and Maintenance** - Table 2 provides a holistic view of the status of costs and revenues. These figures include both dollars in the baseline in addition to those associated with initiatives.

**Table 2 - Summary Financial Plan Tracker – 2014**

	Year-to-Date			Full-Year Forecast		
\$M	Plan	Actual	Diff	Plan	Forecast	Diff
Retail Revenue	552.6	535.1	(17.5)	753.9	738.7	(15.2)
Net Wholesale Revenue	68.0	66.0	(2.0)	85.0	76.0	(9.0)
Net Power O&M	(190.9)	(183.7)	7.2	(265.0)	(257.2)	7.8
Net Non-Power O&M	(159.6)	(152.1)	7.5	(222.5)	(217.5)	5.0
RSA Transfers, Net	(2.4)	0.2	2.6	(2.7)	7.3	9.9
Taxes, Depreciation & Other	(178.1)	(170.1)	8.0	(228.8)	(228.9)	(0.1)
Available for Debt Service				348.2	343.3	(4.9)
Debt Service				184.8	184.8	0.0
Debt Coverage Ratio				<b>1.9</b>	<b>1.9</b>	<b>(0.0)</b>

The full-year forecast indicates that City Light will meet the required Debt Coverage Ratio. Retail Revenue is forecast to be below budget both year-to-date and for the full year as a result of lower than budgeted load partially due to warmer weather in the beginning of the year and a reduction in the tunnel boring load. Net Wholesale Revenue was below the budget both year-to-date and for the full year. Net Power O&M was below budget both year-to-date and in the forecast mostly as a result of lower distribution expenses largely due to lower station expenditures as the result of work crews focusing labor on CIP projects. Net Non-Power O&M costs were lower than budget year-to-date and are expected to be below for the full-year forecast due in part to higher revenues from a higher fair valuation of seasonal exchanges. Year-to-date Taxes, Depreciation & Other is below the budget year-to-date but is forecast to be equal to budget for the full year as a result of lower interest expenses offsetting lower capital contributions.

**Baseline Budget Performance** - Budgeted annual initiative spend in the areas of Non-Power O&M and CIP comprises 3% and 4%, respectively, of total City Light spend in these categories. City Light has spent 75% of the overall O&M budget through September and the initiative spending is consistent with the overall O&M budget spending. For purposes of a baseline view, if the initiative underspending is removed from the forecast, the results also reflect that City Light continues to spend below baseline budget levels in the areas of Non-Power O&M and CIP.

## **Efficiency Initiatives/Savings**







































































City Light has committed to \$14.6 million of savings associated with planned efficiencies by the end of 2014. Efficiency efforts are moving forward and the year-end goal has been surpassed. Efficiencies to date are as follows:

	<b>Efficiency Initiative</b>	<b>Year-to-Date</b>
<b>Sustainable Efficiencies</b>	Lower interest exp. due to credit upgrade	\$ 600,000
	BPA Power Factor	\$ 96,750
	Lower Interest exp. due to bond sizing	\$ 4,600,000
	BPA Slice Solution	\$ 191,511
	Cost Allocation	\$ 280,908
	Credit Calls	\$ 296,031
	Current Diversion	\$ 379,220
	Fleet Reduction	\$ 390,150
	Inventory Costs	\$ 78,030
	Online Security	\$ 78,030
	Procurement Savings	\$ 203,314
	Project Management	\$ 768,591
	Traffic Control	\$ 29,805
	Risk Management Audit	\$ 180,000
	CSED O&M	\$ 303,361
	CSED CIP	\$ 669,563
	PSEA O&M	\$ 995,249
	<b>Subtotal</b>	<b>\$ 10,140,513</b>
<b>One-Time Efficiencies</b>	Environmental Grants	\$ 1,957,192
	CSED CIP	\$ 60,000
	PSEA CIP	\$ 900,000
	PSEA O&M	\$ 300,000
	NW Refund Case	\$ 1,000,000
	Real Estate Sales (2013 pd in 2014)	\$ 1,060,440
	<b>Subtotal</b>	<b>\$ 5,277,632</b>
	<b>TOTAL</b>	<b><u>\$ 15,418,145</u></b>

## Section III - 2014 Summary Performance Assessment for Each Initiative

Section III provides an assessment of individual Strategic Plan initiative performance, associated major milestones achieved, and discussion of any material variances. Dollar amounts listed in the second column are 2014 net revenues or costs in millions of dollars.

### Improve Customer Experience and Rate Predictability

2014 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M <sup>1</sup>	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
A4	0.3	Implement Compliance Tracking and Std <i>(In-Service revised to Dec 2014)</i>						
A6	15.7	Denny Substation Program <i>(In-Service revised to July 2017)</i>						
A7	0.4	Upgrade Transmission System Inductor Installation						
		Upgrade Transmission System Reconductoring						
A8	11.6	Underground Cable Replacement						
A9	2.9	Improved Streetlight Infrastructure						
A11	0.5	Hydro Performance and Generation Availability						
A13		Advanced Metering Infrastructure	n/a		n/a			
CR2		Tools to Reduce Potential Rate Shocks	n/a		n/a			
CR4		Cost of Service and Rate Design Policies	n/a		n/a			
CR5		Customer Portal <sup>2</sup>						
CR7	(.15)	Customer Contact Center Performance	n/a		n/a			
CR10	0.4	Low Income Assistance Program						

- Improved Streetlight Infrastructure – The completion of the milestone for Seattle Center design was delayed from April 30, 2014. The delay is attributable to internal and external delays in the

























<sup>1</sup> Financial impacts of each initiative are reflected as Expense/(Savings)

<sup>2</sup> Budget for this Strategic Initiative has been combined with the Customer Care and Billing system project

permitting process. It is anticipated that this milestone will now be completed by October 31, 2014. (A9)



















- Cost of Service and Rate Design Policies – The Energy Committee vote on City Light’s 2015 – 2016 rate proposal was delayed until September 22, 2014. The proposal will now be voted on by the full City Council on October 6, 2014. (CR4)
- Customer Portal – The Customer Portal is a component of the new Customer Information System project (NCIS) scheduled for implementation in October 2015. The milestone to conduct enterprise design workshops for the portal has been rescheduled from the original target date of June 30 until October 2014. This delay will not impact the overall project schedule. (CR5)



































































### Increase Workforce Performance and Safety Practices

2014 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M <sup>1</sup>	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
W1	(2.0)	Safety Culture and Accountability <i>(In-Service revised to Dec 2014)</i>						
W2a/b	(2.8)	Attract and Retain Workforce <i>(In-Service revised to Dec 2014)</i>						
	2.1	Training and Development <i>(In-Service revised to Dec 2014)</i>						
W2	6.1	Technical Training Center <i>(In-Service revised to Dec 2015)</i>						

- Attract and Retain Workforce – City Light Human Resources is collaborating with the City Personnel Department to conduct an employee pay analysis. It is expected that the study results and summary report will be provided to City Light by October 31, 2014. Meeting the target timeline is dependent upon the collaboration with City Personnel. (W2a)



























### Enhance Organizational Performance

2014 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M <sup>1</sup>	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
M2	0.3	Benchmarking City Light Performance						
M3	0.9	Disaster Recovery						
	1.3	FINMAP Project <i>(In-Service revised to June 2015)</i>						

	0.4	Enterprise Document Management						
M4	1.2	Performance-Based Reporting						
M5	0.7	Internal Audit						
M6	0.5	Project Management Quality Improvement <i>(In-Service revised to December 2014)</i>						
M7		Service Level Agreements with City Departments	n/a		n/a			
M8	(0.3)	Procurement Process for Internal Services	n/a		n/a			
M9	(14.6)	Efficiency Initiatives						
A3	0.8	Information Technology Security Upgrades						
A5	3.0	Implement Enterprise Geospatial Information System						
A10		Mobile Workforce Implementation	n/a		n/a			
A12	(1.9)	Regional Electric Utility Leadership						
A15	0.5	Updating Standards						

- FinMap – City Light is participating in further refinement of the scope for this City-wide project as well as implementing an Asset Management module (AMM) to record accounting values for utility Plant Assets. This module will be implemented and tested during the fourth quarter 2014 with initial usage expected by January 2015. (M3)
- Mobile Workforce –The Project Manager is currently evaluating the project’s dependencies on other implementation efforts such as the Advanced Metering Infrastructure and Customer Care and Billing. These dependencies will inform the project schedule. The project charter and schedule will be finalized by the revised date of October 31, 2014. (A10)
- Updating Standards – The completion of an index of standards for the underground system is delayed from June 30 until September 26, 2014 due to the project’s current focus on the Overhead system. Development of pole head construction standards has been delayed from the original target date of August 29 until November 28, 2014. This delay is due to the need to perform strength testing on the new fiberglass cross arm materials. (A15)

## Continued Leadership in Conservation and Environmental Stewardship

2014 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M <sup>1</sup>	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
CR8		Enhance Environmental Leadership						
CR9	1.1	Reduce Environmental Liability						
A14		Electric Vehicle Infrastructure	n/a		n/a			
A17	0.2	Climate Research						
A18		Conservation Program Enhancement	n/a		n/a			

- Climate Research - The milestone to analyze Climate Adaptation data and to develop a draft plan will be delayed from the original due date of June 30, 2014 until December 2014. This change in target dates is due to an unanticipated delay in hiring staff to support the program. Staff is now on-board and future program milestones will not be affected. (A17)
- Conservation Program Enhancement – The Cadmus Group has been selected to evaluate the pay for performance pilot work. A decision was made to expand the number of pilot buildings under the contract and negotiations are now targeted to be complete by October 31, 2014. This is a multi-year effort and year-end deliverables should not be impacted by this delay. (A18)